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FM AMEMBASSY CONAKRY  
TO RUEHC/SECSTATE WASHDC 1012  
INFO RUEHZK/ECOWAS COLLECTIVE  
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E.O. 12598: N/A

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SUBJECT: MINING COMPANIES CALM AS GUINEAN GOVERNMENT PLANS REVIEW OF  
ALL MINING CONTRACTS

REF: Conakry 425

11. (SBU) SUMMARY. Most mining companies are undaunted as the Guinean government prepares to review all mining sector contracts. Representatives from all established mining interests -- bauxite, gold, diamonds and iron -- told us they had received the government's assurance that the mining sector review will not necessarily lead to contract renegotiation or concession revisions. End Summary.

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Semantics: Review vs. Revise  
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12. (U) During its first meeting on April 5, the Guinean cabinet agreed to review and, if deemed in the best interests of Guinea, renegotiate all mining contracts and concessions (Reftel). Prime Minister Kouyate subsequently softened the language regarding renegotiation, saying the government of Guinea will guard its credibility with investors and understands the importance of honoring established contracts. Minister of Finance Ousmane Dore has publicly said the government does not intend to violate its investment code. We contacted mining companies in the sectors of bauxite, diamonds, gold and iron, and they told us they are not overly concerned by the government's pending review of mining contracts. Most mining companies we spoke with have already contacted government officials and offered to present documents to assist in their respective contract reviews.

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Just Part of Doing Business in Guinea  
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13. (SBU) On April 23, Econoff met with Dr. Alain Pillevuit, resident director of iron company Simfer, Rio Tinto. Multinational Rio Tinto holds mining concessions throughout Africa, but its interests in Guinea center on iron. Pillevuit said his company was "not at all" concerned about any review of its contracts or concessions. Pillevuit said during a recent meeting of the Guinean Chamber of Mines, he urged all mining companies to remain calm and regard the review as "just part of doing business in Guinea." Pillevuit said Rio Tinto's initial 2002 contract with the government of Guinea was withdrawn by president Conte's order some 15 minutes before it was to be signed, and the final contract not secured for several months more. "So you see," he continued, "Rio Tinto is familiar with surprises from the state."

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What More Can They Do to Us?  
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14. (SBU) On April 23, EconOff met with Hayat Muhammad Mirza,

general manager of Aredor-First City Mining, a subsidiary of the Canadian firm, Trivalence Mining Corp. Aredor holds Guinea's largest diamond mining concession. Mirza said his company is not apprehensive about the pending review of its contract because the terms are "equitable" and because the government of Guinea generates much tax revenue from it. Mirza said his firm believes it should be exempt from a 3 percent export tax the government levied in 2005. Aredor contested the tax with the former government, but was told the tax was valid. According to Mirza, Aredor actually welcomes the review because it will be an opportunity to contest the tax. Saying the company is already taxed at the highest level, he added "What more can they do to us?"

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All Is Calm With Bauxite and Gold  
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15. (SBU) On April 24, Mamady Youla, Global Alumina's director general, told us the company expected its review process to be uncomplicated. Before joining Global, Youla was employed by the Guinean Ministry of Mines. He says he knows all the members of the bauxite contract review team, and holds them all in high regard. Youla believes the review is more politically than economically motivated. Since many Guineans question the fairness of mining concessions, Youla thought the government wise to make Guinea's main source of income more transparent.

16. (SBU) Likewise, Emmanuel Wooley, assistant director of mines at AngloGold Ashanti, told us his firm was confident no issues would arise from the review of their contract. When Econoff spoke with him on April 20, Wooley said his firm had already contacted the Ministry of Mines to offer documents to facilitate Anglogold Ashanti's review process. Wooley said the Minister of Mines personally assured him the review process was simply to assess the status of existing

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contracts and concessions.

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Comment  
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17. (U) Long established mining companies are not perturbed by the government of Guinea's planned mining sector review. Some officials we spoke with expected and even welcomed some sort of review because the new government is composed of many "reformers". Rio Tinto's Alain Pillevuit said he has seen so many iterations of the Guinean government - particularly Ministers of Mines - that he is now thoroughly adept at articulating Rio Tinto's current and projected activities in Guinea.

18. (SBU) U.S. firm Hyperdynamics possesses a contract for offshore oil and natural gas exploration and development in Guinea. While not technically a mining interest, the government of Guinea intends to review the Hyperdynamics production sharing agreement, which has drawn a fair amount of local controversy, some almost certainly the result of rival interests. Hyperdynamics has expressed concern about the review. We will continue to advocate on its behalf to ensure the firm is treated fairly.

MCDONALD